

**REPORT OF THE AUDIT OF THE
CAMPBELL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Steven Pendery, Campbell County Judge/Executive
Honorable John D. Dunn, Jr., Campbell County Sheriff
Members of the Campbell County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts and disbursements of the County Sheriff of Campbell County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Campbell County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
CAMPBELL COUNTY SHERIFF**

Calendar Year 2001

Berger & Ross, PLLC

Certified Public Accountants and Fraud Examiners

800 Envoy Circle

Louisville, KY 40299-1837

(502) 499-9088

Fax: (502) 499-9132

400 Democrat Drive

Suite 2107

Frankfort, Ky 40601

(502) 695-7353

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY SHERIFF

Calendar Year 2001

Berger & Ross, PLLC has completed the Campbell County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The 75% fund account balance increased by \$144,546 from the prior calendar year, resulting in a cash surplus of \$486,160 as of December 31, 2001. Revenues increased by \$2,617 from the prior year and disbursements increased by \$5,093.

The 25% fund account balance revenues increased by \$14,252 from the prior year and disbursements increased by \$9,448. The fund balance is \$794 as of December 31, 2001.

Report Comment:

- The County Sheriff's Office Lacks Proper Segregation Of Duties

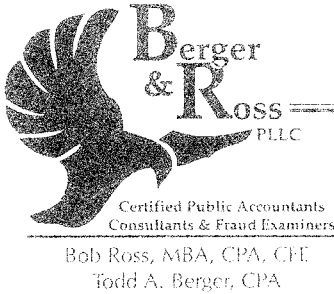
Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds and were covered by a written agreement.

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(502) 499-9088
800 Envoy Circle
Louisville, Kentucky 40299-1837

FAX: (502) 499-9132
Email: irsrescue@msn.com
Internet: www.irsrescue.com

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Association of Tax-Exempt Accounting Firms
Chartered Accountants Association
National Association of Accountants
National Association of Certified Public Accountants
Government Auditing Standards Association

To the People of Kentucky
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Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Sheriff of Campbell County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2001. These financial statements are the responsibility of the Campbell County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Sheriff and the receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2002, on our consideration of the County Sheriff's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Sheriff's Office Lacks Proper Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
August 22, 2002

CAMPBELL COUNTY
JOHN D. DUNN, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2001

Receipts

State Fees For Services:			
Finance And Administrative Cabinet	\$	112,663	
KLEFPF Grant		28,909	
Return of Fugitives		<u>28,336</u>	\$ 169,908
Circuit Court Clerk:			
Security Fees			67,435
Fiscal Court			
Postage	\$	11,200	
Transportation		<u>8,650</u>	19,850
County Clerk:			
Delinquent Taxes			5,306
Commission on Taxes Collected			892,948
Sheriff's Fee on Taxes Collected			
10% Additional Fee			63,888
Fees Collected for Services:			
Auto Inspections	\$	35,460	
Carrying Concealed Deadly Weapon Permits		17,595	
Serving Papers		79,645	
Miscellaneous		<u>457</u>	133,157
Interest Earned			<u>15,895</u>
Total Receipts			<u>\$ 1,368,387</u>

Disbursements

Payments to State-			
Carrying Concealed Deadly Weapon Permits	\$	11,735	
Other Disbursements-			
Reimbursement to Tax Account		1,884	
Postage		10,000	
Travel Reimbursements		<u>24,442</u>	
Total Allowable Disbursements			<u>\$ 48,061</u>
Net Receipts (Carried Forward)			\$ 1,320,326

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
 JOHN D. DUNN, JR. SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2001
 (Continued)

Net Receipts (Brought Forward)			\$	1,320,326
Payments to State Treasurer-				
75% Operating Fund	\$	1,046,602	*	
25% County Fund		<u>273,724</u>	\$	<u>1,320,326</u>
Balance Due at Completion of Audit			\$	<u>0</u>

*Includes reimbursed expenses in the amount of \$225,430 for the audit period.
 See Note 1 of Notes to the Financial Statement.

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
JOHN D. DUNN, JR., SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE
TREASURER

Calendar Year 2001

	75% Operating Fund	25% County Fund	Total
Fund Balance - January 1, 2001	\$ 340,820	\$ 794	\$ 341,614
<u>Receipts</u>			
Fees Paid to State - Operating Funds	1,046,602		1,046,602
Fees Paid to State - County Funds (25%)		273,724	273,724
Total Funds Available	\$ 1,387,422	\$ 274,518	\$ 1,661,940
<u>Disbursements</u>			
Campbell County Government	\$ -	\$ 273,724	\$ 273,724
Personnel Services -			
Officials Statutory Maximum	78,822		78,822
Deputies' Salaries	568,619		568,619
Employee Benefits-			
Social Security	47,002		47,002
Retirement	67,286		67,286
Health Insurance	47,765		47,765
Dental and Life Insurance	8,185		8,185
Unemployment	3,171		3,171
Materials and Supplies -			
Office Materials and Supplies	14,092		14,092
Deputies' Supplies/Uniforms	5,734		5,734
Other Charges -			
Service Contracts	3,483		3,483
Insurance	7,510		7,510
Bonds	660		660
Communications	10,023		10,023
Dues and Fees	11,782		11,782
Maintenance and Repair	27,128		27,128
Total Disbursements	\$ 901,262	\$ 273,724	\$ 1,174,986
Fund Balance - December 31, 2001	\$ 486,160	\$ 794	\$ 486,954

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A Fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county governments.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations backed by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2001
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months of the year, and 6.41 percent the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent for the first six months and 16.28 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

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COMMENT AND RECOMMENDATION

CAMPBELL COUNTY
JOHN D. DUNN, JR., COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2001

INTERNAL CONTROL-REPORTABLE CONDITIONS AND MATERIAL WEAKNESS:

The County Sheriff's Office Lacks Proper Segregation Of Duties

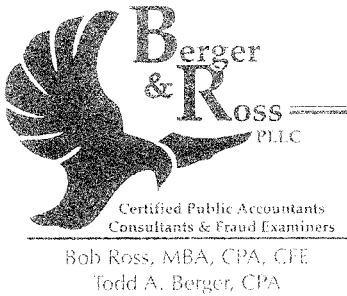
We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the Sheriff's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff establish a proper segregation of duties over his operations.

County Sheriff's Response:

We are aware of this problem and are trying to remedy it.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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800 Envoy Circle
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County Auditors Association of Kentucky
National Association of Auditors and Accountants
National Association of Tax Examiners
Government Auditing Standards Association

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Honorable John D. Dunn, Jr., Campbell County Sheriff

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts and disbursements of the Campbell County Sheriff for the year December 31, 2001, and have issued our report thereon dated August 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Campbell County Sheriff's financial statements for the year ended December 31, 2001, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comment and recommendation.

- The Sheriff Has A Lack Of Adequate Segregation Of Duties

Report on Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
August 22, 2002

